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Joint Committee on Taxation
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SUMMARY OF TAX PROVISIONS OF WAYS AND MEANS COMMITTEE AMENDMENT TO H.R. 1278 ("The Financial Institutions Reform, Recovery, and Enforcement Act of 1989")

The Ways and Means Committee made several tentative decisions with respect to tax issues at its mark-up on May 10, 1989, of legislation involving financially troubled savings and loan institutions. Those decisions that are reflected in the Committee Amendment are set forth below.

A. Repeal of Special Rules Applicable to Financially Troubled Financial Institutions (sec. 1401(a) of the draft statutory language)

The Committee tentatively decided to repeal the special tax provisions applicable to financially troubled financial institutions and to provide a grant of regulatory authority to the Treasury Department to promulgate rules governing the tax treatment of assistance payments and related issues. The repeal is effective for transactions consummated on or after May 10, 1989, the date of Committee action.

Further Committee action is needed to provide in the statute that taxpayers may rely on guidance provided in legislative history with respect to the tax treatment of assistance transactions until the Treasury Department exercises its regulatory authority.

B. Clarification of 1988 Legislation Applicable to Financially Troubled Thrift Institutions and Financially Troubled Banks (sec. 1401(b)(2) of the draft statutory language)

The Committee tentatively decided to clarify that the reduction in tax attributes equal to 50 percent of the amount of nontaxable financial assistance is effective on the same date that the special tax rules relating to financially troubled financial institutions were extended to such institutions.

C. Conforming Changes Applicable to Financially Troubled Thrift Institutions (sec. 1401(b)(3) of the draft statutory language)

The Committee tentatively decided to conform the special tax rules in the Internal Revenue Code with the Federal deposit insurance assistance legislation to take into account

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the new entities established by such legislation.

D. Tax Exemption of Resolution Funding Corporation (REFCORP) and Resolution Trust Corporation (RTC) (sec. 1402 of the draft statutory language)

The Committee tentatively decided to remove the tax exemptions of REFCORP and RTC contained in the banking legislation, but provide exemption from Federal income tax for these entities in the Internal Revenue Code.